

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 AID-20

CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01

OMB-01 PA-04 PRS-01 SS-20 NSC-07 SAM-01 SAB-01 IGA-02

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 8693

INFO AMCONSUL DHAHRAN

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 5474

PASS: TREASURY FOR PARSKY

E.O.: 11652: GDS

TAGS: EAID, SA, US

SUBJ: SAG CALLS FOR DISCUSSION OF NEW PROPOSAL WITH
AMERICAN BUSINESS ON SEPTEMBER 26

REF : STATE 199147

BEGIN SUMMARY: SAG HAS ASKED THAT NEW IMPLEMENTING AGENCY
IDEA BE DISCUSSED WITH TOP AMERICAN BUSINESS LEADERS AT
SEPT 26 MEETING IN WASHINGTON. SAG DESIRES OPINION OF NOT
ONLY U.S. BUSINESS, BUT ALSO STATE DEPARTMENT AND EMBASSY.

EMBASSY URGES WASHINGTON AGENCIES TO BE IMAGINATIVE IN THEIR
APPROACH TO THE SUGGESTION, RECOGNIZING AT THE SAME TIME
DIFFICULTIES INHERENT IN INSERTING A DYNAMIC U.S. ADMIN-
ISTRATOR OF A COMBINED SAG/U.S. PRIVATE ENTERPRISE AGENCY
INTO THE PRESENT DECISION-MAKING APPARATUS OF THE KINGDOM.
PROPOSAL MAY BE DRASTICALLY MODIFIED BY MEETINGS IN WASHINGTON
IN ANY CASE AND IT IS RECOMMENDED THAT CORPS OF ENGINEERS ALSO
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HAVE REPRESENTATIVE PRESENT AT MEETING.

DEFERRAL TO DECEMBER 9-10 OF FIRST MEETING OF U.S./SAUDI COMMISSION HAS BEEN TENTATIVELY APPROVED, AND SAG WELCOMES DEFERRAL SO THAT THEY MAY HAVE MORE TIME TO EVALUATE ALL OF AMERICAN PROPOSALS. END SUMMARY.

1. THE AMBASSADOR REVIEWED CONTENTS OF REFTEL WITH ASSISTANT SECRETARY PARSKY BOTH BEFORE AND AFTER THE LATEST MEETINGS OF THE WORKING GROUPS IN RIYADH (SEPTEMBER 15-18). IT WAS AGREED THAT THE PROPOSAL IN OUTLINE FORM WOULD BE DISCUSSED WITH THE THREE TOP PLANNING MINISTER (ABA AL-KHAIL, HISHAM NAZER, ABD AL-AZIZ QURAYSHI) AND THAT A SHORT DESCRIPTION OF THE IDEA WOULD BE GIVEN TO THE MINISTERS. THIS WAS DONE.

2. AT A MEETING OF THE SAUDI INDUSTRIALIZATION GROUP HELD IMMEDIATELY AFTER THE DEPARTURE OF ASSISTSEC'Y PARSKY ON SEPT 18, THERE WAS A FULL DISCUSSION OF THE INFORMAL MEMORANDUM SUGGESTING THE EXPANDED COMMISSION. DR. SULAIM REPORTED THE CONSENSUS WAS THAT THE THREE IDEAS SHOULD BE DISCUSSED FURTHER WITH THE DEPARTMENT OF STATE AND WITH THE EMBASSY AND THAT PERTINENT PORTIONS OF IT (THE IMPLEMENTING AGENCY) SHOULD BE PROGRAMED FOR DISCUSSION WITH AMERICAN BUSINESS IN WASHINGTON ON THE MORNING OF SEPT 26. DR. SOLAIM SAID THAT THEY WANTED TO MAKE CERTAIN THAT THE FINAL PROPOSALS WERE FULLY AGREED TO BY THE USG AND AMERICAN PRIVATE ENTERPRISE. SAG, HE SAID, WAS "OPEN MINDED" ON THE PROPOSAL.

3. DISCRETE DISCUSSION OF THE CONCEPT OF AN IMPLEMENTING AGENCY WITH PETER DUNCAN, THE TEAM LEADER FROM STANFORD RESEARCH AT THE CENTRAL PLANNING ORGANIZATION, INDICATES THAT THE IDEA COULD WELL BE ONE ANSWER TO SPEEDING SAUDI DEVELOPMENT. BUT THERE ARE PROBLEMS IN CREATING SUCH A NEW COMBINED SUPER-AGENCY, UNDER A DYNAMIC AMERICAN ADMINISTRATOR, NOT THE LEAST OF WHICH IS THE PRESENT ENTRENCHED SAG MACHINERY, PARTICULARLY THAT OF PETROMIN. PETROMIN WILL HAVE ONLY TWO OF ITS TECHNOCRATS AT THE WASHINGTON MEETING, AND THEY ARE NOT EVEN BRIEFED SO FAR ON THE NEW CONCEPT. THEY WILL BE UNINSTRUCTED ON IT AND WILL LACK GUIDANCE FROM GOVERNOR TAHER.

4. ASSISTSEC'Y PARSKY AND ECONCOUNS MET WITH PRESIDENT OF
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CENTRAL PLANNING ORGANIZATION, HISHAM NAZER, WHO WELCOMED ANYTHING TO HELP IMPLEMENT DEVELOPMENT, DID NOT THINK THE WORKING GROUP SHOULD BE PERMANENT AND EMPHASIZED THAT A NEW SPIRIT OF DECISION-MAKING PREVAILS WITHIN SAG. THE COUNCIL OF MINISTERS ARE NOW GIVING RESPONSIBILITY TO A SINGLE PERSON, GIVING HIM THE RESOURCES AND TELLING HIM TO ACCOMPLISH THE PROJECT ASSIGNED TO HIM AS EXPEDITIOUSLY AS HE CAN. THE MINISTER SAID THAT THEY WERE NO LONGER AFRAID TO MAKE SOME MIS-

TAKES. HE AGREED THAT SOME KIND OF ORGANIZATION OUTSIDE OF GOVERNMENT, GIVEN FULL RESPONSIBILITY TO IMPLEMENT A PROJECT, COULD BE EFFECTIVE. HE AGREED TO STUDY A PROPOSAL FOR AN EXPANDED COMMISSION BUT DID NOT COMMENT ON THE IMPLEMENTING ORGANIZATION WITH ITS AMERICAN ADMINISTRATOR.

5. WITH DR. SOLAIM LISTENING, NAZER SAID THAT HE HAD DEFINITE OPINIONS THAT WHAT WAS NEEDED WAS AD HOC GROUPS. HE HAD A PERSONAL REVULSION AGAINST COMMITTEES, AND THE SMALL THREE-MAN PLANNING COMMITTEE (NAZER, ABA AL-KHAIL, AND ABDUL AZIZ QURAYSHI) WOULD USE A COORDINATOR TO CHANNEL DEMANDS FOR ASSISTANCE, BUT THE COORDINATOR WOULD CALL ON THE RESPONSIBLE AGENCY TO CARRY THEM OUT IN COOPERATION WITH THE ASSISTING GOVERNMENTS. HE SAID HE KNEW THAT IN EVERY GOVERNMENT ORGANIZATION IN THE U.S. THERE WAS A DEPARTMENT THAT KNEW MORE ABOUT SAUDI ARABIA THAN SAUDI ARABIANS KNOW. IT WAS GOOD FOR THE INDUSTRIALIZATION GROUP TO GO TO WASHINGTON. IT WAS FIN FOR THEM TO GET EXPOSURE TO U.S. INDUSTRY, BUT THIS WAS JUST A LONG-WAY TO CARRY MAIL AND NONE OF THE MEMBERS OF THE WORKING GROUPS COULD MAKE DECISION. WHAT WAS NEEDED WAS A SMALL GROUP ON THE AMERICAN SIDE WORKING WITH A SMALL GROUP ON THE SAUDI SIDE.

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PASS: TREASURY FOR PARSKY

6. ASSISTSEC'Y PARSKY, THROUGHOUT THE CONVERSATION, HAD EMPHASIZED THAT THE IMPLEMENTING ENTITY WOULD ONLY CARRY OUT ITS WORK AFTER THE SAUDI GOVERNMENT'S DECISION-MAKING MACHINERY HAD APPROVED FULLY THE PROJECT PROPOSAL. IT WOULD BE THE DECISION OF SAG NOT OF A JOINT COMMISSION OR IMPLEMENTING AGENCY THAT WOULD DETERMINE WHAT WOULD HAPPEN. HE MENTIONED INTEREST IN AN ORGANIZATION WITH CONTINUITY THAT WOULD OUTLIVE ANY ONE PERSON OR OFFICIAL. A HIGH-LEVEL DYNAMIC ORGANIZER/ADMINISTRATOR SUCH AS PERHAPS JAMES WEBB, WHO "PUT A MAN ON THE MOON," WAS WHAT THEY HAD IN MIND TO HEAD THE IMPLEMENTING AGENCY; HE EMPHASIZED THAT IT WAS NOT A FORMAL U.S. GOVERNMENT PROPOSAL BUT THAT HE WANTED THE THREE NEW IDEAS--AN EXPANDED MEMBERSHIP OF THE JOINT COMMISSION, AN IMPLEMENTING ORGANIZATION TO DRAW UP CONTRACT PROPOSALS, AND A SPECIAL POLICY AND OPERATIONS OFFICE FOR SAUDI ARABIA IN THE TREASURY DEPARTMENT--TO BE CONSIDERED BY THE SAG PLANNING COMMITTEE.

7. THE PROPOSAL WAS ALSO DISCUSSED WITH MINISTER ABA AL-KHAIL
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BY THE ASSISTSEC'Y AND IN THE PRESENCE OF AMB WITH HEAD OF THE CENTRAL PERSONNEL BUREAU MINISTER OF STATE ABDUL AZIZ QURAYSHI. THE LATTER LISTENED CAREFULLY AND SAID THAT HE WOULD GIVE A REACTION TO THE EMBASSY AS SOON AS POSSIBLE. (EMBASSY EVALUATES THIS AS MEANING THAT THE THREE TECHNICAL MINISTERS WILL EVALUATE THE PROPOSAL IN TERMS OF ITS FEASIBILITY AND POLITICAL ACCEPTABILITY, BUT WE WOULD NOT EXPECT A SINGLE FORMAL REACTION COVERING THE POINTS MADE BY ASSISTSEC'Y MORE LIKELY, OVER THE PERIOD OF THE NEXT FEW WEEKS THE AMB WILL HAVE TO TALK WITH THE MINISTERS INFORMALLY, SEEKING THEIR INDIVIDUAL REACTIONS.)

8. IT WAS APPARENT FROM THE LATEST ROUND OF WORKING GROUP MEETINGS (SEPTTEL) THAT A NEW CONSENSUS HAS BEEN REACHED IN SAG TO GO AHEAD WITH PROBING AMERICAN POTENTIAL FOR SPEEDING DEVELOPMENT OF THE KINGDOM. DEFERRAL OF THE FIRST MEETING OF THE U.S./SAUDI ECONOMIC COMMISSION UNTIL DEC 9-10 WAS WELCOME BY DR. SOLIAM AS GIVING THEM TIME TO EVALUATE THE AMERICAN PROPOSALS IN GREATER DEPTH. HE EMPHASIZED THAT SAG DID NOT WANT ANYTHING WHICH THE AMERICAN GOVERNMENT MIGHT NOT LIKE IN THE LONG RUN.

EMBASSY COMMENT: THE IDEA OF CREATING A SUPER AGENCY FOR CIVILIAN DEVELOPMENT ALONG THE LINES OF THE CORPS OF ENGINEERS IN THE DEFENSE AREA IS ATTRACTIVE. IT WOULD GIVE A FOCUSING

POINT FOR EVALUATIONS OF PROJECTS AND FOR MAKING RECOMMENDATIONS ON DECISION THAT WOULD HAVE TO BE MADE BY THE SAUDI GOVERNMENT. ONCE MADE, THE CONCEPT OF CARRYING OUT THESE DECISIONS WITH A DYNAMIC AMERICAN ADMINISTRATOR WHO WOULD BE ANSWERABLE TO AN AGENCY OF THE SAUDI GOVERNMENT ESTABLISHED WITH THE HELP OF AMERICAN BUSINESS AND THE USG WILL BE PRACTICABLE ONLY IF THERE IS FIRST A CLEAR AGREEMENT ON GRANTING SUCH AUTHORITY BY ALL THREE PARTIES (SAG, USG, AND AMERICAN PRIVATE ENTERPRISE). SELECTION OF ONE CONTRACTOR OVER ANOTHER, SELECTION OF ONE JOINT VENTURE PROPOSAL OVER ANOTHER, WILL BE DIFFICULT BUT OF COURSE NOT IMPOSSIBLE, PROVIDING THERE IS CONFIDENCE IN THE ADMINISTRATOR BY ALL PARTIES. EMBASSY URGES THAT THE IDEA BE EXPLORED IN DEPTH AT THE SEPT 26 CONFERENCE WITH AMERICAN BUSINESS AND THAT THE WHOLE IDEA BE THE SUBJECT OF DISCUSSIONS BY THE INDUSTRIALIZATION WORKING GROUPS ON SEPT 27 AND 28. IT IS RECOMMENDED THAT A CORPS OF ENGINEERS

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REPRESENTATIVE BE PRESENT DURING THE DISCUSSIONS.

IT SHOULD BE RECOGNIZED THAT WE ARE BREAKING NEW GROUND BUT THAT THIS IS A UNIQUE SITUATION IN DEVELOPMENT NEVER BEFORE FACED: A COUNTRY WITH MASSIVE RESOURCES AND A NARROW STRUCTURAL BASE ON WHICH TO BUILD. WE WOULD URGE THAT WASHINGTON AGENCIES BE IMAGINATIVE AND COOPERATIVE IN REACHING A CONSENSUS WITHIN THE USG ON THE PROPOSAL.

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